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This Issue Briefly . . .

- International recovery is firmly established in most industrialized countries as 1984 approaches. Most of the stimulus has come from the lead of the United States, largely based on consumer spending. A substantial deficit in merchandise trade, and lower-than-usual intentions for business investment, will act as brakes to overall recovery.
- Canadian performance in 1983 has largely benefitted from overall global recovery. Inflation has come down, and will probably stay down through 1984. Business investment is still slow, and unemployment still distressingly high.
- The performance and outlook in the Atlantic region varies widely from province to province and within each province. Some of the region's most important resource industries remain depressed, and localized rates of unemployment are at 1930s' levels.
- Newfoundland and Labrador still has a long way to go to regain the ground lost since mid-1981, and substantial recovery is not likely before 1986. Unemployment across the province averages almost one person in every five in the labour force, and locally exceeds one in two as demand for iron ore remains low, the fishery undergoes radical change, and newsprint producers suffer from intense competition elsewhere in North America and in Europe. Offshore activity is one bright spot.
- Prince Edward Island is pacing itself through recovery rather well, as potato prices are good and there was an excellent year for lobsters. A variety of circumstances indicate that performance in 1984 may not be as robust, but as always much depends on rather unpredictable events in a number of resource-based industries.
- Nova Scotia has done best of all the Atlantic Provinces by surviving the recession better and beginning recovery sooner and stronger. The pace is likely to be sustained into 1984 riding the back of offshore exploration and a relatively diversified manufacturing base. Much of the health in the provincial economy, however, derives solely from the Halifax-Dartmouth area.
- New Brunswick only recently took the first substantive steps along the road to recovery, and this should continue in 1984 as pulp and paper output approaches capacity, and as improved commodity prices see mineral production expand. Recovery has been rather slow so far mainly because of extreme dependence on a few resource industries.

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ATLANTIC REPORT

Editor Maurice Mandale

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Atlantic Provinces Economic Review and Outlook 1983-1984

Economic recovery at the international level is well established. Industrial production, as measured by a weighted index of production in the six largest industrial trading nations, has risen by more than five per cent since the trough of 1982. Inflation rates have been reduced drastically in most industrialized nations. Increasing confidence in the durability of the recovery is reflected in increases in commodity prices since the end of 1982. Having liquidated inventories during the recession, firms are gradually beginning to rebuild stocks of essential inputs again, although their approach remains very cautious.

Recovery in the United States is leading the way. Real gross national product in the United States is expected to grow by three per cent in 1983 and by more than four per cent in 1984, although the pace of recovery will moderate in 1984. Consumer demand has been especially strong, although purchases of durables such as automobiles began to slow down in the later months of 1983.

American recovery is fuelling a faster pace of activity throughout much of the rest of the world. A revival in world trade is not only the result of a better pace of economic activity, but also an historically high U.S. dollar. This has not only stimulated exports from many industrialized countries (especially Canada, West Germany, and Japan) to the United States, but is also of great benefit to many less developed countries.

But while American demand for other countries' products provides some stimulus, it is also creating problems within the United States in terms of their deficit in merchandise trade. Exports from the United States have performed poorly, reflecting a strong dollar and the relatively weaker recovery elsewhere. As the pace of activity away from the United States picks up, and a relatively overvalued dollar falls to more reasonable levels, this deficit in merchandise trade should diminish. In part, this will involve a reduced American demand for other countries' products.

The missing factor in the current recovery, and the one which makes analysts wary about making medium-term forecasts, is business investment. Although there have been some gains by this indicator since the end of 1982, they have been unimpressive by historical standards. Capacity utilization is well below what it could be, real interest rates have remained quite high, there is a residual uncertainty about the durability of the recession, and there are fears over a resurgence of inflationary pressures. All have combined to produce a reluctance on the part of businessmen to undertake new capital spending.

This reluctance is compounded by extremely high levels of debt being carried by both industrialized and less developed countries around the world. Poor gains in investment will be the major reason for an expected cooling of recovery in 1984 and onwards.

The Canadian Outlook

Optimism on the international scene is echoed by positive signs of growth in Canada. Consumer spending was particularly strong during the first half of 1983 as consumers used savings to acquire goods. Lower wage gains in 1983, however, will probably continue into 1984 and will restrict much further growth in consumer spending.

Inflation has moderated substantially during 1983, and earlier signs of a resumption of relatively high rates of increase appear not to have been realized. Prospects of limiting the rate of increase in the Consumer Price Index in 1984 to about 5.5 per cent look very promising.

As in other parts of the world, business investment in 1983 in Canada took a steep dive and is expected to grow only moderately in 1984. Real interest rates are likely to remain high and are a major factor in limiting investment. This will slow the pace of recovery in the medium term, and will also cause real concerns about increasing the productivity of Canadian industry over the longer term.

High levels of unemployment across the country provide major reasons for concern. While rates of unemployment have fallen marginally since their recent peaks at the end of 1982, they are still unacceptably high, particularly among the young. As the recent throne speech in Ottawa illustrated, the federal government appears to be in a Catch-22 situation with respect to unemployment. While several new programs were announced to bring young workers into the labour force, the new money to allow these programs is limited. In general, an extremely high level of federal debt makes it difficult to provide any major fiscal policy initiatives to stimulate the national economy.

The Atlantic Region

One of the most noticeable features of the recovery is its unevenness. Some provinces survived the recession very well, with good growth in 1983, others were hit much harder and have yet to see any significant recovery.

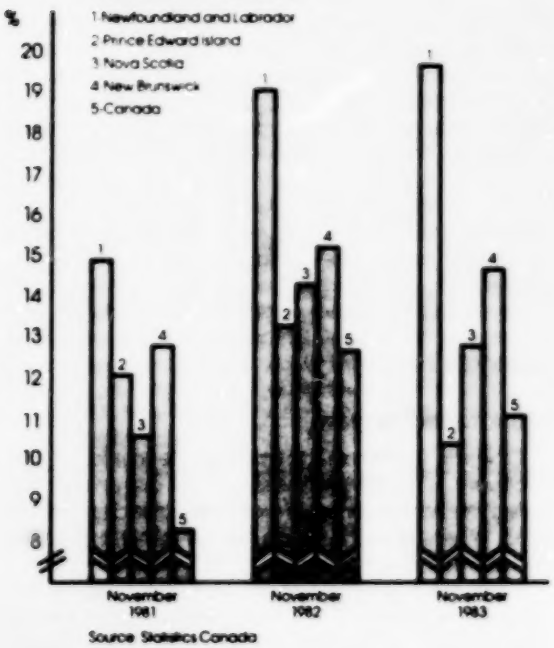
Nowhere has this been more evident than in the Atlantic Provinces. Some areas, particularly Halifax-Dartmouth and some central New Bruns-

wick communities, have seen a dramatic increase in economic activity. But for many other parts of the region, the reverse is true; an unemployment rate approaching one person in five has become commonplace in many communities in Newfoundland and northern New Brunswick. There is little promise of renewed activity in these areas in 1984.

Throughout the region, reasons for uneven and varying recovery are the same. While there has been some improvement in major resource industries in 1983 over 1982, the conditions that would strengthen this recovery have not emerged. Commodity prices have improved but not by very much, and businesses are reluctant to invest. This retards the decision to develop or reopen mines or forestry facilities. In fact, it appears that after the shocks of the recession, many of the region's older and more inefficient plants (particularly in the fishery and forestry sectors) will finally be closed for good.

All four provincial governments have little room to manoeuvre within their budgets. High and rising levels of debt have occurred because of shortfalls in revenues from personal and corporate taxation. With large parts of the budgets committed to health and education programs, it is virtually impossible to find money to support lagging parts of the economy. In fact, all governments are exploring ways to reduce their discretionary spending by cutting programs, or new ways to raise revenues (for example by user fees) in this already over-taxed part of Canada.

UNEMPLOYMENT RATES, ATLANTIC PROVINCES AND CANADA, NOVEMBER 1981-1983



Source Statistics Canada

Newfoundland and Labrador

The weakest economy in the region, and the one which is of gravest concern over the medium term, is that of Newfoundland and Labrador. The province depends substantially on three industries (fishing, forestry, and mining) and all are in trouble and are unlikely to see much improvement before the end of 1984. While pulp and paper production in Canada (and particularly in parts of the United States) has improved quite dramatically in 1983, it fell in Newfoundland. Production of iron ore from Labrador fell by one-quarter to the end of August, 1983 compared to the same period in 1982. Preliminary figures for a severely troubled fishery show a drop in both landings and landed values in 1983.

Renewed activity in offshore exploration partially offset these declines, and this helped pull up the provincial economy; offshore activity should continue to be strong in 1984. But the province's unemployment rate has remained high (almost 20 per cent in November) and is not likely to come down in 1984. Gross provincial product is expected to grow by about one per cent in 1983, and possibly by two to four per cent in 1984. Any growth in 1984, however, will do no more than begin to regain ground lost over the past couple of years.

Prince Edward Island

Stronger potato prices and a reasonable harvest have been welcome news for Islanders in 1983, as has the news that there will be no duty on the substantial amounts of potatoes shipped to American markets, as earlier feared. Other agricultural sectors have not fared as well, however.

The fishery has also been fairly strong in 1983, mainly because of good prices for lobster which have boosted the value of landings. Tourism had a disappointing year, however, with visitation likely to be down from 1982. Gross provincial product is expected to grow by about two per cent or slightly more in 1983. As potatoes move to market in early 1984, this upbeat pace will probably be maintained, but final results for 1984 will depend on the 1984 potato harvest, tourist season, and fishery. One other consideration which will affect future performance on the Island is that transfer of the Department of Veterans' Affairs to Charlottetown will be substantially complete by the end of 1984, and the boost this has given over the past couple of years will begin to settle down.

Nova Scotia

Nova Scotia's economy has performed the best of all the Atlantic Provinces in 1983, with gross

PER CENT CHANGE IN GROSS DOMESTIC PRODUCT ATLANTIC PROVINCES AND CANADA 1981-1984

	1981	1982	1983[1]	1984[1]
Newfoundland and Labrador	2.3	-4.8	0.5-1.5	1.9-4.1
Prince Edward Island	1.4	-3.0	2.0-3.0	1.8-2.5
Nova Scotia	3.1	-1.5	2.8-3.9	3.5-4.8
New Brunswick	2.5	-2.9	1.7-2.6	2.5-4.0
Canada	2.5	-4.6	2.1-2.9	2.9-4.5

Note: [1]Ranges estimated by Atlantic Provinces Economic Council

provincial product up by about three per cent. As in 1982, much of the stimulus came from offshore-related developments, with an increase in exploration generating rising confidence in the business community. New construction and industries have been very evident in the Halifax-Dartmouth area.

Away from Metro, however, the picture is not as rosy. Shipments of forest products are down substantially in 1983, but this is likely to recover and go on to further gains in 1984 as new, modernized production techniques begin operation. Overall, manufacturing shipments with the exception of forest products have been up slightly in 1983, reflecting the greater diversity and resilience of the provincial economy. Nova Scotia does, however, share with its Atlantic neighbours an inherent weakness in major resource sectors.

The province, in spite of good performance in 1983, must still contend with high unemployment rates (about 13 per cent in November) and an unevenly distributed recovery. Indeed, much of the eastern part of the province has yet to experience much in the way of any recovery. Nevertheless, on the strength of offshore activities, Nova Scotia in general will have healthy growth in 1984, of at least 3.5 per cent and perhaps as high as almost five per cent.

New Brunswick

Many sectors in New Brunswick have experienced some recovery in 1983. The potato harvest has been good with good prices, lumber production substantially regained ground lost in 1981 and 1982, and pulpwood production is also good. The other side of the coin sees manufacturing shipments still very weak compared to recent years. Mineral production remains weak, and tonnage shipped through Saint John over the first ten months of 1983 is 42 per cent below the levels of a year earlier.

The unemployment rate, at 14 per cent, is an indication of a level of activity which remains low, and regional unemployment reaches disturbingly high rates in northern parts of the province especially. The increase in gross provincial product in 1983 is expected to be in the order of two per cent, with some improvement almost certain in 1984, when a rate of growth of as much as four per cent may bring the province out of a lengthy recession.

PROVINCIAL REPORTS

NOVA SCOTIA

There are still convincing signals that Nova Scotia will do very well both in 1983 and 1984. Construction is maintaining a healthy pace, offshore-related activity is positively booming, and more people are moving to the province than are leaving it for the first time since the mid-1970s. There are still concerns that economic performance within Nova Scotia is still a little uneven, both geographically and between sectors, but the net effect is still positive.

Unemployment at the end of November was 13.1 per cent of the labour force, a big improvement over a year earlier (14.3 per cent) but still representing 49,000 Nova Scotians without a job. This is 4,000 fewer than in November 1982. As economic activity has picked up during the year more people have joined, or rejoined, the labour force; participation rates increased from 57.3 per cent to 58.5 per cent in one year, and a single per cent increase in this measure represents 6-7,000 more people either working or looking for work.

Labour income is also up, by more than seven per cent to the end of September, although average weekly income was increasing by only four per cent earlier in the year. This latter rate of increase could not even make up for a rate of inflation which had edged down to an annualized rate of 5.3 per cent by October, slightly higher than the national rate of 4.9 per cent. In Nova Scotia, higher property taxes, and higher prices for car insurance and alcoholic beverages in licensed premises have continued to maintain a relatively fast pace of increase.

Retailers have done exceptionally well over the first three quarters of 1983, with the total value of trade up 13 per cent over the same period in 1982. As this exceeds the increase in real wages, however, much of this surge indicates either savings rates are lower, or consumer credit is higher, or both. This extra pace in retail sales is likely to be sustained over the Christmas period and into the sales season in early 1984. Sales of new motor vehicles have been particularly brisk, registering a one-quarter increase over the first three quarters of the year.

Nova Scotia has shown a more robust recovery to date than many other parts of Canada. This is

reflected in shipments of cargo through the Port of Halifax, where tonnage of both exports and imports has increased to the end of October. Import tonnage was up by 7.6 per cent (especially with increased throughflow of crude oil and containerized goods), and export tonnage was up by more than 12.5 per cent (mainly gypsum and refined petroleum products). In terms of exports alone, however, actual value of Nova Scotian products shipped to foreign markets was down by more than 11 per cent to the end of September. This was mainly due to a hefty decline in value of important items such as lumber and other forest products shipped. For the provincial economy to sustain a solidly-based recovery, sales of such basics must pick up again in 1984.

Agriculture

The value of total farm cash receipts to the end of September in Nova Scotia was slightly ahead of 1982, by about 3.3 per cent. Increased receipts for most crops, and cattle, poultry and eggs have more than offset declines for hogs. The troubled dairy sector (which accounted for almost 30 per cent of all receipts) seems to be recovering slightly towards the end of the year, with receipts over three quarters down by less than one per cent.

Both apples and blueberries have done well in 1983. Although the Annapolis Valley apple harvest was down marginally, there were more substantial declines in Quebec, British Columbia, the eastern part of the United States, and western Europe. Prices to Nova Scotia growers have therefore been running about double those of 1982, and export markets (particularly Britain) should hold up well.

For the third year in a row, blueberry growers set crop records in 1983. About 19.5 million pounds were picked, up from 14.1 million pounds in 1982. Given appreciable stocks from 1981 and 1982 across North America, prices dropped from about 60¢/pound to 45¢/pound, and problems are emerging in selling all the berries.

Livestock farmers continue to face troubled times. Hog prices have dropped to about $60 per hundredweight (for Index 100 hogs), well below the stabilization price of $78 which reportedly fails to cover costs. Feed prices are still increasing and stimulating the reduction of herds, so little price relief can be expected for several months. Only as fewer animals are sent to market will prices improve, and this will not occur before the second quarter of 1984. Beef producers seem to muddle along from crisis to crisis, and the idea of a nationally-administered marketing system has been revived once again.

Dairy receipts appear to have picked up during the second part of the year, possibly due to increases in farm-gate prices of 2¢/litre for milk in mid-August, and a further 3¢/litre in early December. Both increases are passed on in retail prices, which have increased by 10-12¢/litre in the second half of 1983.

The Fishery

The confidence and growth prospects which characterize other sectors of Nova Scotia's economy were not evident in the fishing sector. The industry faced a multitude of problems in 1983 including high inventory costs, sluggish markets, overwhelming debt loads, stock problems and so on. The release of the Kirby report early in the year did little to ease the uncertainty over the form a restructured industry would take. This uncertainty continues although restructuring negotiations appear to be bearing fruit as the province moves into 1984.

Preliminary statistics on landings and values provide a record of the sector's problems. Early-season landings were ahead of the 1982 pace, but high inventories at plants resulted in closures. Landings tailed off as the year progressed and by the end of October were down by 8.6 per cent. Improved prices for some species, particularly for shellfish, saw an impressive five per cent increase in landed value, however.

Corporate difficulties are clearly reflected in a three per cent decline in groundfish landings while landed value declined by 3.9 per cent. Cod landings were down by 1.8 per cent while poor prices saw landed value drop by a disturbing eight per cent. Although haddock, the second most important groundfish species, suffered a 12 per cent decline in landings, good prices pushed landed values up by 6.6 per cent. In contrast, poor average prices for pollock saw the value of this species drop by 17.3 per cent to the end of October even though landings maintained last year's pace. The redfish catch was up 13.2 per cent while value for this much sought-after species increased by 23.4 per cent. Access for Nova Scotia trawlers to what is expected to be an increased Gulf of St. Lawrence redfish quota is one of the main stumbling blocks now facing negotiators of Nova Scotia's restructuring deal.

Pelagic species continued to suffer declines, with an 18.6 per cent drop in landings and a 32.2 per cent decline in value. The herring fishery continues to face serious stock problems. Totals to the end of October showed landings down by 15.5 per cent while value fell by 30.1 per cent.

Even though landings were down by 18.6 per cent, shellfish posted an impressive 24.6 per cent increase in landed value. Record prices for scallops and 24.2 per cent surge in lobster landings account for increases in landed value of 16.9 and 36.3 per cent respectively. The scallop fishery continues to be plagued by a declining stock caused for the most part by an expanded

American presence on the valuable Georges Bank grounds.

Bill C-170 to restructure the offshore Atlantic fishery was passed by Parliament in late November. The Act is based on agreements in principle between the federal government, and both the governments of Nova Scotia and Newfoundland. Although Newfoundland appears ready to support the Act in its present form, the government of Nova Scotia still had signed no formal agreement at the time of this writing.

With losses mounting, predatory pricing will become more attractive as inventories begin to swell as northern cod are landed. The new structures must be in place by early 1984 to prevent this from happening. Lack of progress in this area will likely see independent processors severely compromised in the marketplace. Equally disturbing are real threats that American authorities may impose import duties on Canadian fish on the grounds that they are unfairly subsidized under the new structure. Much remains to be done to allow the fishery to recover in Nova Scotia.

Forestry

Although cumulative production of pulpwood to the end of September was running 15 per cent behind the same period in 1982, this is mostly due to the strike which closed the Scott mill in Pictou County over the first five months of the year. As the newsprint market has stabilized over the year, shipments of pulpwood to mills, and of manufactured products from mills, have improved significantly. Price increases earlier in the year (to US$500 tonne) have held, although there is still a long way to go to achieve pre-recession levels of output.

Nova Scotia paper mill output has also been influenced by temporary closure of one of two paper-making machines at the Bowater Mersey mill in Liverpool. This was timed to coincide with weak markets, and to allow the first phase of a modernization program. The upgraded machine recently restarted production and work has begun on the second machine.

Lumber production over the first eight months of 1983 declined by nine per cent. This appears to reflect, at least in part, intense competition in European (particularly British) markets. The competition not only comes from Scandinavia (assisted by a strong Canadian dollar in terms of most European currencies), but also from Eastern Europe and Quebec. Total Canadian lumber shipments to Britain during the first half of 1983 were down slightly from the same period in 1982, hardly a distinguished record when demand increased considerably, and bearing in mind the first half of 1982 was a very low point for most lumber production. Total sawmill production in 1983 is likely to be down from 1982 as seasonal closures approach.

Mining and Energy

Nova Scotia's coal production over the first eight months of 1983 went down by 4.2 per cent compared to the same period in 1982. Electricity generated also declined substantially over the same period (by more than 10 per cent) and this largely accounts for the mines' indifferent performance. Two export orders for coal from Asian steel plants prevented a worse decline. To complicate matters further, contracts with the Nova Scotia Power Corporation expire at the end of 1983, and negotiations for renewal have not been smooth.

Much of the problem revolves around the fact that the Cape Breton Development Corporation has been supplying coal to NSPC over the past five years at prices which have fallen far short of the costs of production. The consequent DEVCO losses have startled most people and are at the stage of jeopardizing ambitious plans to develop three new mines by the mid-1990s. Negotiation of a higher market price for coal burnt by NSPC would involve an increase at least in the order of 60 per cent with undoubted effects on the cost of power generated. An added factor is that NSPC predicts that the next 150 MW of the Lingan generating complex will probably begin operation in early 1984, and any final agreement on price of feedstock must consider the extra volume to be purchased.

Rio Algom has confirmed its intention to develop a tin mine in Yarmouth Country, with construction beginning in Spring, 1984, and first production of tin before the end of 1985. Although tin will be the mine's main product, there will also be by-production of zinc and copper in commercial quantities. The $150 million project will involve about 250 permanent positions.

It was a sweet and sour fall for Nova Scotia's offshore exploration endeavours. The most extensive series of tests to date on a delineation well on the Venture natural gas reserve had disappointing results. Flows of gas and condensates from gas-bearing zones fell short of expectations, and estimates of total reserves were trimmed as a result. Work on a further delineation well is proceeding. This disappointment was offset to a degree by announcement by Shell of a new gas discovery on the Glenelg structure southeast of Venture. Commercial viability must await further wells.

New operators have also begun drilling off Nova Scotia. A consortium headed by Home Oil spudded a new wildcat well on Banquereau Bank in late November. The well will challenge the record of the deepest offshore well drilled, with a projected total depth of 6300 metres.

Construction

Residential building in Nova Scotia has had a good year in 1983, stimulated by lower interest rates and, earlier in the year, by a variety of government incentives to home-builders. By the end of the third quarter, the number of housing starts were up by almost 80 per cent compared to the same period in 1982, although the rate of increase in the third quarter had slowed noticeably from the first half, as government incentives ran out. Single-family dwellings have done well, and there has been an encouraging number of multiple-unit dwellings started.

Future starts of multiple units may be affected by the fact that rent controls appear to have become a permanent feature in Nova Scotia. A recommendation from a Commission of Enquiry had encouraged the elimination of controls, but this was rejected by the provincial government. The rental market, particularly in certain parts of Halifax, is typefied by low vacancy rates, and developers have in the past pointed to rent controls as inhibiting building of more units.

Non-residential building in 1983 can be characterized as a year of high potential but little actual substance. Spending had been forecast to increase as recovery reached firmer ground, but value of building permits issued over the first eight months of the year revealed a drop of 26 per cent. Permits for commercial and government institutional building in particular went down, although permits for industrial building went up by 13 per cent. Actual starts of commercial properties, however, have done extremely well in the Halifax-Dartmouth area.

A large part of construction projects were affected to varying degrees by a series of industrial actions during the year. Although these are now substantially settled, there have been rather serious questions posed about the long-term effect of the settlements with plumbers, carpenters, sheet-metal workers, and electricians. All have settled for four-year contracts which usually see 11 per cent increases each year. Compounding the increases mean hourly rates will be about 50 per cent higher in 1987 than in 1983. Where hourly rates have reached relatively high levels elsewhere in Canada there has been a trend towards an increasing use of non-unionized labour.

The outlook for 1984 is promising. Glace Bay is to get a new 125-bed hospital, work will begin on a larger ferry wharf at North Sydney, and building will probably continue apace in the Burnside Industrial Park in Dartmouth. With a healthy residential construction sector, the year will do much to regain ground lost in 1981 and 1982. There have been concerns, however, that many larger projects have relied heavily on public funding, and most private building has been in the Halifax-Dartmouth area. True recovery will require more private sector building over a much wider area.

Manufacturing

Nova Scotia's manufacturers have done no more than hold their own in 1983 compared to 1982, with total value of shipments over the first three quarters up by only 1.8 per cent. Food and beverage shippers have done particularly well, with value of shipments up by 11.4 per cent over three quarters, but even in this sector there was a slight slowing during the third quarter; this was possibly due to problems within the fish-processing sector. There were quite handsome gains in percentage terms in other sectors, such as textiles, wood products, furniture, and printing and publishing.

All these creditable performances, however, were substantially offset by declines in shipments by important industries, including metal products, mineral products, transportation equipment, and pulp and paper products. Shipments of paper products have particularly been affected by a strike which stopped production at one mill until May, and by the fact that one of two paper-making machines at another mill has been closed to allow modernization. value of shipments of paper and allied products was down 22 per cent, but a marked improvement in this indicator is assured over the later months in 1983 and into 1984.

Other well-known plants in the provinces have been receiving orders. Hawker-Siddeley in Trenton will provide railcars worth $23 million to Indonesia, and Halifax Industries Limited will build one of the new generation of ice-breakers (worth about $54 million) for the Canadian Coast Guard. These will do much to boost employment in the manufacturing sector in 1984, along with such encouraging developments as the ever increasing number of industries opening plants in Dartmouth's Burnside Industrial Park. Although many of the industries locating in Burnside are not exactly household names, in the aggregate they hold enormous promise for the future expansion of manufacturing in Nova Scotia. In general, the province's manufacturing sector is expected to perform much more strongly during 1984.

NEW BRUNSWICK

Final results on economic performance in New Brunswick in 1983 will reveal a pace of activity about the same as, or just ahead of, that for 1982. This could mean that the province has turned the corner from recession and has started to regain ground lost over the past two years. The second half of the year has been stronger than the first with most economic indicators at least slowing

their rate of decline, and some turning upwards. As recovery solidifies, 1984 will probably show further gains.

The province's labour force, however, is still growing at a faster rate than employment. To the end of November, the average number of people in the labour force grew by 3.4 per cent, but for most of 1983 jobs have not been created at the same pace. Thus, although the unemployment rate improved to 14.7 per cent from 15.2 per cent a year earlier, the numbers of unemployed did not change as participation in the labour force increased; there were 44,000 New Brunswickers without jobs in November, the same as the year earlier. The number of people entering or re-entering the labour force during 1984 is likely to be quite high, and the net effect is that unemployment will remain high.

Consumer spending has been one of the bright spots in 1983, with the value of retail sales to the end of September up by 11 per cent over the same period in 1982. Lower interest rates and sales promotions have maintained consumer interest in big-ticket items; in many cases, high-value purchases like these had been put off for the duration of the recession. Much of the consumer spending so far in 1983, however, has either been financed out of personal savings or by consumer credit. This means that during 1984, such spending will have to fall more closely in line with current income.

The Consumer Price Index for Saint John was increasing at an annualized rate of 6.6 per cent in October, well above the national rate of 4.9 per cent. Higher prices were paid especially for clothing, cigarettes, alcoholic beverages in licensed premises, and home recreational equipment supplies. Labour income increased a little faster than inflation. Total wages and salaries to the end of September increased by 8.6 per cent.

New Brunswick's exports remain depressed as production and sales from the province's most important sectors are still running below capacity. Total accumulated value of domestic exports to the end of October went down by 0.5 per cent, but this masks a slight improvement during the second half of the year. This slower rate of exports is also reflected in tonnage shipped through Saint John, down 42 per cent to the end of September.

Agriculture

Farm revenue over the first three quarters of 1983 was down by 5.4 per cent over the same period in 1982, with declines for all important commodities. Potato revenues dropped by almost 11 per cent, but the outlook for the 1983 harvest is much more promising. While yields were down, both quality and prices are up. The higher prices are due to substantial shortfalls in harvests elsewhere in North America and in Europe, and will especially benefit those growers who did not contract to processors at lower prices early in the season.

Fears over an import duty on Canadian potatoes entering American markets rose during the fall. An earlier assessment of an 18 per cent duty was unexpectedly doubled to 36 per cent, and growers braced themselves for the worst. As date for final confirmation approached, in mid-December, the very surprising news came through that the claim by Maine growers of dumping by Canadian growers in American markets had not been proved; there is to be no duty, and access to an important market is preserved.

Total livestock receipts went down by 3.6 per cent mainly because of reduced returns to hog and poultry producers, down 10.7 per cent and 13.9 per cent respectively. Hog prices remain very low, mostly due to increased supply throughout North America, and this situation is expected to persist until the spring of 1984. Exports to Japan will also decline since that country recently reopened its doors to Danish pork and bacon after a lengthy closure due to hoof-and-mouth disease in Denmark.

Chicken prices are also down, in line with those of poultry meat's closest competitors, pork and beef. There has also been an excess of chicken on the market as market quotas were set to reduce accumulated stocks in storage.

Beef prices are expected to improve over the next six months or so as overall supplies of red meat become tighter. The sector remains highly competitive, however, with many producers operating on extremely narrow margins. There have been recurring calls during the second part of 1983 for stabilization plans. New Brunswick producers have also been pressing for assistance to purchase winter feed to avoid putting a lot of animals on the market at once in the fall. Dairy receipts were up slightly, but oversupply of dairy products persists. Egg receipts were running about level with those of 1982.

Farm net income in 1983 at best will only be very slightly ahead of 1982, although the forecast for 1984 is a little brighter particularly as potatoes move to market during the early months of the year, and if the prospect of higher prices for livestock are realized.

The Fishery

A mixed year is indicated for the New Brunswick fishery based on preliminary results to the end of October. Volumes of landings went down by almost 11 per cent, although values were up by 13 per cent. The main species driving up total values were shellfish, especially crab and scallops, with increases in values of 52 and 75 per cent respectively. As total landings of major crab species declined in 1983, there are fears that

stocks may be severely reduced after two years of most intensive effort to catch this lucrative species. There are some calls for a fall closure in the fishery.

Some lobster fishermen had better years than others during 1983. Boats in the northern part of the Northumberland Strait had lower landings but rather better prices. Both landings and prices further south were up to give fishermen in this part of the Strait an excellent year. In aggregate, total landings were up by about five per cent, and values were down marginally.

Groundfish landings dropped by 14 per cent, and only an increase of values for cod prevented an equivalent decrease in total values. The main reason for a decline in total value for groundfish was drops in returns for haddock, pollock and white hake. volumes of landings for all three species were down substantially over the first ten months of the year.

There have also been disappointing results for pelagic species. Total value of landings went down by one-fifth with a six per cent drop in volume. Many inshore herring fishermen in the northeast protested the early closure of the season, although quota allocations had in many cases been reached. The weir fishery in the Bay of Fundy virtually collapsed in 1983 as fish failed to appear. Equally worrying is the finding that the plight of the Atlantic salmon is at least as bad as has been predicted. there was a major decline in the number of fish in the 1983 runs, according to government monitoring programs.

Restructuring of the offshore sectors in Newfoundland and Nova Scotia has made the future of the New Brunswick fishery a little uncertain, although precise impacts are not easy to identify. Many New Brunswick processors fear they will not be able to compete with the two so-called super-companies which emerged from the restructuring. These and related issues are likely to persist well into 1984 as the new companies begin operation.

Forestry

Final results in forestry for 1983 will vary between different parts of the sector. Lumber mills finally started to operate again early in the year as the construction industry picked up, but the pulp and paper mills have not responded to recovery as well.

To the end of September lumber production had doubled over the same period in 1982, although during the late summer and fall months there were fears that output was, once again, beginning to outgrow demand. Prices weakened slightly, and some mills have already closed for the winter months. The outlook for 1984, however, remains very positive with buyers already making enquiries about sales. Sawmillers continue to face stiff competition in European markets however, mainly because of a strong Canadian dollar in particular when pitted against a devalued Swedish krona.

Pulpwood production increased by 22 per cent to the end of September, but whether this pace can be sustained depends on inventory levels at mills, for New Brunswick at the end of September, total wood inventories were slightly higher than a year earlier. Output of pulp and paper products has undergone mixed fortunes throughout the year due to a combination of circumstances. Firstly, market demand was very weak around the end of 1982 as recession bit deep, and there is little doubt that performance by New Brunswick mills since then is much improved. Secondly, a substantial portion of capacity at several big mills in the province has been shut down to allow modernization of equipment and facilities, and as this upgraded capacity is brought back into production, both output and sales will increase. Newsprint prices have remained surprisingly firm at US$500 tonne, and some major producers are even toying with the idea of further increases.

The pulp and paper outlook in 1984, therefore, is more promising than at any time over the past two years. This will not avoid, however, some temporary closures at provincial mills, at least over the winter to allow inventories to run down. Better news also indicates that budworm damage in 1984 is likely to go down, but vast areas of woodland are still infested.

Mining

Gradual recovery in North America has increased demand for base metals, but so far much of this increase has been met from inventories. Lead prices have recovered somewhat from record low levels in early 1983, mainly due to increased demand for automobile batteries, and world consumption is predicted to increase by three per cent in 1984. Rising demand for zinc, along with declining inventories, has resulted in a much better performance in late months in 1983. This has mainly been due to increasing demand for consumer durables such as appliances and cars. Copper prices remain very low, however, as global stockpiles remain low and as third-world producers in particular have sold at low prices to bolster foreign exchange earnings.

Better base metal prices will determine the fortunes of the important mines in the northern part of New Brunswick, although there are no signs of the Heath Steele mine near Newcastle reopening. A significant output of silver, however, helps assure continuity of production at Brunswick Mining and Smelting. Better prices will also stimulate development of other known deposits in northern New Brunswick.

Potash Company of America is expected to produce 750,000 tonnes in 1984 from its new mine

near Sussex, and work will begin in early 1984 on construction of a second potash mine nearby. Demand for potash (used mainly in production of fertilizer) is expected to be much better in 1984 as agricultural recovery solidifies.

As with many resource sectors in Atlantic Canada, New Brunswick's mining industry has been slow to recover from the recession. The coming year will bring better news to a more diversified sector in the province, as economic recovery proceeds at a deliberate pace, as prices for minerals strengthen, and as principal markets become firmer.

Construction

Total value of building permits issued in New Brunswick to the end of August increased by more than half over the same period in 1982. Interest rates have remained lower, and a variety of government incentives earlier in the year have certainly stimulated homebuilding; government-sponsored building projects have also helped the construction industry. The value of residential building permits increased by more than two times compared to the first eight months of 1982, and the number of actual housing starts over the first three quarters was running three times ahead of starts in the same period in 1982.

To sustain this pace into 1984 (and there have already been signs of a slackening during the middle months of 1983) will require a more solid recovery and at least steady interest rates. This will also apply to industrial building, and capital construction in this respect was anticipated to fall during 1983 with a modest improvement in 1984. The federal government's Special Recovery Projects program will reach a peak during the coming year to provide some stability to the sector, and will probably help bridge the gap until more private sector building is initiated.

Manufacturing

Value of manufacturing shipments in New Brunswick over the first three quarters of 1983 declined by 2.4 per cent. Although the manufacturing sector is still trying to turn the corner, the encouraging news is that declines in value of shipments earlier in 1983 were much more substantial, and there is a possibility that final results for 1983 will be slightly positive compared to 1982.

Food and beverage industries increased the value of their shipments by 4.1 per cent, there was a substantial increase in value of lumber shipments (by more than 30 per cent), and printing/publishing and furniture products also registered healthy increases. All these sub-sectors are likely to continue the upward trend in 1984.

Shipments from the most important single sector, however, have been disappointingly low. Some pulp and paper mills have announced temporary closure due to lack of sales and high inventories. Two of the biggest mills were also closed for substantial parts of the year to allow modernization work to proceed, and have only reopened during the second part of 1983.

The manufacturing sector is still a little wary of the future in the province, as reflected by investment intentions. New capital investment intentions have declined a lot although intentions for repairs show a little more confidence in the future. Food and beverage firms have been at the forefront of new capital spending. Unfortunately, it may take a long time to regain levels of investment in previous years. One particularly unhappy development has seen Mitel abandon plans to begin production of printed circuits at a brand new plant at Buctouche. The factory remains closed, although there are attempts to interest other firms in setting up shop there.

NEWFOUNDLAND AND LABRADOR

The Canadian economy appears to be on a solid footing once again. The first half of 1983 showed remarkable growth paced by a strong performance by the American economy. It now appears this pace will be maintained in the second half providing business investment and inventory accumulation make up for an expected downturn in consumer spending and in the trade surplus. As a result, real output will likely grow at a real rate of about two to three per cent in 1983. Newfoundland, although subject to many of the same influences, has not fared as well. Serious problems in each of the traditional resource sectors will limit real growth to less than one per cent even with this year's resurgence in offshore drilling activity.

Evidence of this slow pace can be found in labour force data, where employment creation is far behind the national pace. The unemployment rate stood at 19.9 per cent in November compared to 19.1 per cent in the same month last year. This increase fails to reflect a growing number of people who have given up looking for work. This view is supported by a decline in the participation rate in November along with an 11.4 per cent increase in able-bodied persons receiving social assistance compared to October 1982.

Canada's strong export performance through much of 1983 reflects strength in central Canada for the most part. This strength is not apparent in Newfoundland where total domestic exports are down 18.3 per cent to the end of September with significant declines in the important food and beverage, and fabricated materials sectors.

Consumer prices continued to moderate, up only 5.6 per cent in October over the previous 12 months. This remained above the national rate of 4.9 per cent mostly due to rapidly escalating

clothing, and tobacco and alcohol indexes, which increased by 12.5 and 19.5 per cent respectively. Consumer confidence, which is partly reflected by retail sales, continues to be high. To the end of September, sales were up 10 per cent compared to a national average of 7.1 per cent. This strength in retail sales continues to be led by consumer durables such as motor vehicle sales, which increased by almost one-fifth.

Preliminary reports from CN Marine show commercial traffic up by seven per cent to the end of November on the North Sydney-Port aux Basques crossing. Passenger traffic was up five per cent on the same run while the seasonal North Sydney-Argentia crossing showed a two per cent increase in the 1983 season. These increases reflect a recovering tourist industry with the number of visitors coming to the province by car up 5.4 per cent from January to August. The total visitation figures were hurt by a downturn of 15.6 per cent in the very important air travel sector.

It is certain that recovery in Newfoundland will not match the national pace. Serious problems in traditional resource sectors (forestry, fishing and mining) will continue to limit gains in provincial output well into 1984. Consumer spending, construction activity, and offshore exploration activity have proved to be important stabilizing factors in 1983 and it is these sectors that could lead the province out of recession in 1984.

The Fishery

The year 1983 began on an optimistic note with good early season catches of northern cod, although high catch rates meant that these larger volumes were being caught by fewer vessels. With the release of the Kirby Report in February and the acceptance of the bulk of its recommendations by the federal government, it seemed a plan for the future of this important industry was at long last taking shape. Unfortunately progress was slow and by late summer the industry was facing its most severe crisis in memory.

Preliminary performance figures to the end of October show a 10.4 per cent drop in total landings and a 5.1 per cent decline in landed values. The downturn in the important groundfish sectors (75 per cent of all value landed) accounts for most of this poor performance, with a nine per cent drop in landings and a 7.4 per cent shortfall in landed value compared to totals in October 1982.

A partial failure of the inshore cod fishery accounted for much of a 3.7 per cent drop in landings and a 2.9 per cent drop in landed value for Newfoundland's most important species. Statistics on other groundfish species also reflect severe declines. Landings and landed value for redfish were down 33.2 per cent and 29.5 per cent, while flounder and sole showed declines of similar magnitudes.

The recovery of the mackerel fishery provided a note of optimism for pelagic species. The herring fishery continued its long decline with downturns in landings and landed value of 41.5 and 44.2 per cent respectively. A similar pattern has been established in the highly valuable salmon fishery where landings were down 23.6 per cent to the end of October. A decline in prices in the Japanese capelin market saw the landed value of this species fall by 14.2 per cent even though landings fell by only 2.1 per cent.

The shellfishery fared considerably better. Good prices for most species resulted in an increase of 12.7 per cent in landed value even though landings were down 43.3 per cent. A failure of the squid fishery (five tonnes in 1983 compared with 11,000 tonnes in 1982) accounted for the overall decline in landings. The lobster fishery performed well with landings up 14.8 per cent and good prices pushing value up by 21.4 per cent. Even better price increases for crab pushed landed value for this species up by 47.8 per cent. A combination of stock problems and environmental factors saw landings drop by 6.1 per cent, however.

The industry will have considerable difficulty scraping through another year like 1983. A restructuring plan hammered out by the federal government and the governments of Nova Scotia and Newfoundland has become law with the passing of Bill C-170 in late November. It now seems likely two newly-created processing companies will be in place early in 1984. The finalizing of restructuring deals with Newfoundland and Nova Scotia, combined with the implementation of the recommendations of the Kirby Report, will hopefully mean a more secure future for the Atlantic fishing industry.

There are still some serious obstacles to overcome, however. Many independent processors fear their markets will be affected by the two super-companies, and fear that the ministerial powers outlined in Bill C-170 will create problems for them in the future. In mid-December, as well, American authorities launched a fact-finding survey to investigate the effects of Canadian imports of scallops and groundfish on the United States fishery. This will probably be a prelude to a formal request by American fishing interests for protection from Canadian imports.

Forestry

The recovering North American economy has finally begun to have a positive impact on the Canadian paper industry. Shipments were up 4.7 per cent in the first 10 months in 1983. Newsprint demand tends to lag several months behind increases in consumer spending and thus increased consumer confidence early in 1983 began to be felt in newsprint demand in the second half of the year. Total Canadian ship-

ments in October were up 11.7 per cent compared to the same month last year with much of this strength coming from exports to the United States. In contrast, Newfoundland's markets are mainly in markets where economies are recovering more slowly than in North America. Although output and operating rates appear to be improved in the second half of the year, Newfoundland's paper industry will face some real challenges in 1984.

Production capacity was reduced significantly in 1983 with the closure of paper making machines at both the Grand Falls and Corner Brook mills, and a return to output levels of 1981 or even 1982 are most unlikely. Rumours of the possible closure in 1984 of the Bowater mill in Corner Brook, already hit with the closure of its largest paper machine and the lay-off of 746 employees early in the year, sent shockwaves through the province.

The current state of the industry is reflected in the 21.4 per cent decline in pulpwood production to the end of September. Even with this decline, pulpwood inventories were up by 2.4 per cent to the end of August.

In summary, Newfoundland's newsprint producers will continue to face difficulties from all sectors in 1984. An overall strengthening of the world economy and the pulp and paper industry in particular should help, although this province's producers will continue to face market and supply problems for some years to come.

Mining

The mining sector will continue to face tough times in 1984. While surges in demand for consumer durables, such as automobiles, and household appliances, are cause for optimism in the long term, the important iron ore sector remains depressed.

The level of production at Labrador's two large iron ore mines was down by 25.4 per cent to the end of August. Even though August's production was almost three times that of the same month in 1982. This decline in production, combined with increased shipments (seven per cent to the end of September) account for the observed 19 per cent decline in mine inventories. This comes as a result of strengthening Canadian markets where shipments increased by 8.2 per cent. The more important export market continued to be sluggish with shipments down by 3.7 per cent although the pace has picked up in recent months.

Recent improvements in demand combined with increased productivity have turned around the profit picture for companies operating in Labrador. The Iron Ore Company of Canada reported a third-quarter profit of $7.2 million on its Labrador City operation compared to a disastrous loss of $19.1 million over the same period last year. Both Labrador mines continued to operate at less than 50 per cent of capacity in 1983. Since 1982, layoffs have reduced the workforce at the IOCC mine by 1,100 while employment at the Wabush mine dropped by 200. Little recovery in output or employment can be expected in 1984.

Prospects are better for other minerals. The Baie Verte asbestos mine reopened in 1981 and now employs 300 people. Recovering demand and falling inventories have pushed prices of zinc up by more than 20 per cent since 1982. This upswing should provide an increased measure of security of mining operations at Buchans and Daniel's Harbour. The upswing in construction activity in 1983 has helped to increase production at the Flintkote Mines Ltd. gypsum operation this year.

Energy

Offshore exploration activity was up in 1983. This growth was paced by an expanded Petro-Canada presence, a summer drilling program operated by Canterra, and the addition of a further two rigs by Mobil to its Grand Banks drilling program. This exceeded the pace of recent years when lack of a federal-provincial agreement slowed the pace of exploration. Although there is still no agreement, activity will likely pick up even more in 1984.

Announcements early in November confirm that Husky Oil and Bow Valley have concluded a farm-in agreement on acreage held by Mobil Oil Canada Ltd. The deal calls for the drilling of 14 wells for Husky-Bow Valley to gain 50 per cent of Mobil's interest in six exploration agreements. The new consortium has begun drilling the first well, and will begin a second well early in 1984.

In other activity, Petro-Canada is expected to continue its drilling program on the Grand Banks. Doubts have been raised over the continuation of Labrador drilling programs next summer. A variety of technical and environmental problems resulted in slow progress this year. In addition, wells that were tested proved inconclusive. On the brighter side, BP Canada is considering a drilling program off Newfoundland next year.

Decisions will be made soon that could lead to the resolution of the Churchill Falls power dispute between Newfoundland and Quebec. Hydro-Quebec presently buys virtually all of the 5,200 megawatts produced by the Churchill Falls (Labrador) Corporation under a 65 year contract at a guaranteed rate of 3 cents per kilowatt hour. At today's much higher prices, this means that Quebec makes an estimated $600 to $700 million annually while Newfoundland earns only about $10 million.

An Act of the Newfoundland legislature which would return control of the water rights on the Upper Churchill River has already passed the test of the Newfoundland Court of Appeal. Both provinces are now awaiting the Supreme Court of Canada decision, expected in late December.

Both Quebec and Newfoundland requested a delay in announcing this decision to allow negotiations to proceed, and there is hope that an equitable solution to the dispute can be reached. Newfoundland is seeking access to 800 MW to meet expected future demand, and a better sharing of revenues.

Construction

Construction activity has been an important factor in stabilizing slow recovery in the Newfoundland economy. The bulk of this activity is either related to offshore exploration, or has been induced by government fiscal measures. The main exceptions are a few ongoing projects, the main one being the $355 million Cat Arm Hydro Project. Next year will see reduced government influence due to increased fiscal restraint. The private sector will play a bigger role based on improving confidence in the offshore.

The total value of building permits at the end of the third quarter was up by almost 91 per cent. The pace has slowed in the second half due to the termination of a special home buyers incentive plan in May, but residential construction is far ahead of last year's pace. Recovery in industrial and commercial construction as measured by building permits was not apparent. The value of building permits for institutional and government construction was up by 298 per cent to the end of September.

The boom in residential construction is reflected in starts of single family dwellings, up by 58 per cent to the end of September. The turn-around in urban areas is even more dramatic. Housing starts in centres of 10,000 or more people were up 182 per cent. Although starts of row housing and duplexes were down in these areas, apartments were up 84.8 per cent.

A number of public and private projects based on the promise of offshore are now in the works. These include a $30-40 million St. John's Airport Industrial Park; the South Side Hills excavation which has now gained government approval; a $75 million development of the Port of St. John's; a $24 million development of the Port of Argentia; a $33-$39 million hotel and convention centre in St. John's; a $6.8 million rig servicing facility at Marystown; and a $25 million offshore service base plus a variety of office complexes in St. John's.

The long term fortunes of the construction sector are directly tied to the development of offshore resources. Budget deficits will limit spending by both federal and provincial governments beyond those projects already planned or started. Newfoundland industry will follow the national pattern of reduced investment in "bricks and mortar". Investment will be directed at increasing productivity meaning more money will be spent on machinery and equipment in future years.

Manufacturing

Newfoundland's manufacturing sector remains depressed as the new year draws near; shipments to the end of September were down by 11.3 per cent. In contrast, growth at the national level in recent months has contributed to a 5.6 per cent increase over the first 9 months of the year. Hardest hit in Newfoundland's manufacturing sector were food and beverage industries (down 1.2 per cent), the transportation equipment sector (down 47.8 per cent) and the pulp and paper sector where productive capacity was reduced substantially in 1983 from previous levels.

A minimal decline in shipments by fish processors does not adequately reflect the serious structural and financial problems encountered by major processors this year. By the end of the summer the province's three largest processors were in receivership. At the end of October, inventories of frozen groundfish were up by 42 per cent even though production declined by 5.3 per cent. Inventories of cod blocks were particularly high.

Prospects appear to be better for 1984. The formation of a new "super-company" in the fishing industry should stabilize that sector. Prospects for the Marystown shipyard depend on the pace of offshore exploration and the rig repair and supply vessel construction that will result. The St. John's Dockyard will be in an improved position to compete for repair contracts with the completion of its $29.6 million synchrolift in late September, 1983.

PRINCE EDWARD ISLAND

As the North American economy has plodded along the road of recovery during 1983 there have been many wary glances backwards. Determined to keep expansion within manageable bounds, economic policy-makers and managers have kept strict controls over money supply via interest rates. These have paid dividends by reducing the rate of inflation quite markedly, but as market interest rates have remained stable during 1983 (in the 11-11.5 per cent range) this means that the real interest rate (the gap between market rates and inflation) has gradually increased during the year. This is likely to affect consumer, business, and public spending decisions during 1984 as the real cost of borrowing has increased.

The rate of increase for the Canadian Consumer Price Index in the twelve months to October had dropped to an 11-year low of 4.9 per cent. The Island rate over the same period was even lower, at 3.9 per cent. Food prices went down to offset higher prices for items such as rented accommodation, electricity, and alcoholic beverages bought in licensed premises. Prices of

tobacco and alcohol have increased by more than 14 per cent since October 1982.

Retail sales valued at $336 million were recorded over the first three quarters of the year in Prince Edward Island, a 12 per cent increase from the same period in 1982. These sales included a one-third increase in the value of new motor vehicles sold. Much of this surge of buying in Island stores has been fuelled by the fact that total wages and salaries to the end of August were 11 per cent higher than the first eight months of 1982, and average weekly paycheques went up by more than 13 per cent over the twelve months to March 1983. In part this reflects the fact that restraint on public sector wages in 1983 did not take effect until after a 10 per cent increase was agreed.

In part, also, these rather surprising increases in labour income are explained by the fact that unemployment rates in the Island have been declining at the same time as participation rates have been increasing. Put more simply, the total numbers of people in the labour force increased by 3,000 in the 12 months to November 1983, and the total numbers of jobs available increased by 4,000. This means the unemployment rate went down to 10.4 per cent in November 1983 from 13.3 per cent a year earlier. A combination of circumstances has been responsible for an improved labour market, including short-term job-creation programs, and gradual relocation of Department of Veterans' Affairs personnel in Charlottetown. Whether many of the short-term jobs will survive is open to question, and this may especially affect employment of younger people in 1984.

Value of manufacturing shipments to the end of August was a healthy 9.2 per cent higher than in the same period in 1982, and Island exports are also doing very well in 1983, especially after a sterling performance in 1982. Over the first three quarters, exports increased marginally over 1982, and were almost half as big again as over the same period in 1981. The increase in 1983 over 1982 has come in spite of a slight decline in value of items in the food, feed, beverages and tobacco commodity group (which includes agricultural and fish products) but this group still accounts for almost 90 per cent of all exports.

Basically, the Island economy seems to be pacing itself well through rather difficult times. CN Marine reports commercial traffic on its ferries increased by 9 per cent to the end of November, it's a good year for potato prices, lobster fishermen have done extremely well, and construction has picked up considerably. Forecasts indicate a real rate of growth roughly in line with the national average. Although this represents the first positive economic growth since 1980, performance in 1984 is likely to be more restrained, especially as the relatively narrow base of the Island economy imparts a certain fragility to growth.

Agriculture

High potato prices in 1983 have more than compensated for yields which have been no better than average. The Potato Marketing Board reported prices as high as $3.85 per 50-pound bag, and a price of $3.50 was holding steady at the end of November. This compares with $1.55 a year earlier, and receipts are likely to be even better as quality is up from 1982; this means fewer culls and more potatoes meeting export grade standards. Lower harvests in other parts of North America (including Quebec and Ontario) and Western Europe mean good prospects for Island growers as the crop moves to market during late 1983 and early 1984.

Even better news came in mid-December concerning exports of Canadian potatoes to the United States. An earlier decision by U.S. federal authorities upheld the claim by Maine growers that Maritime potatoes were being dumped on American markets, and imposed a preliminary 18 per cent import duty. A further ruling in early November unexpectedly doubled this duty to 36 per cent. As most people were resigned to this heavy extra burden, it was a surprise to hear that the final decision rejected all calls for any import duty on Canadian potatoes. American purchases were worth $32 million to Maritime growers in 1982.

All is not well in another part of the Island's agricultural sector. Reorganization of production and marketing quotas for dairymen has resulted in a more open market for milk quotas, but with prices set. The provincial government has taken this route ostensibly to help those producers who were promised quotas earlier, but farmers' groups claim that the scheme favours big producers and corporate concerns, who would presumably be in a better financial position to buy more quotas. The first month of operation of the quota exchange system saw almost 10,000 kg change hands, although demand was much stronger than supply.

Total cash receipts for dairy products to the end of September were a little over $20 million, more than 10 per cent lower than in the same period for 1982. It was little consolation to dairymen that hog receipts were down over the same period by almost 16 per cent, and poultry receipts by almost 28 per cent. The price of Index 100 hogs dipped briefly below $60 per hundredweight, a pale shadow of the almost $100 of early 1983. There is still a good flow of Island hogs to slaughter as feed prices have increased after substantial failure in the U.S. grain harvest.

Total net income to Island farmers will decline for 1983, although substantial recovery is anticipated for 1984 after receipts for the 1983 potato

harvest are totalled, and as meat prices increase later in the year.

The Fishery

Volumes of fish landed by Island fishermen were down substantially to the end of October over the same period a year earlier, by almost one-quarter. The principal decline was in landings of Irish moss, although there were also significantly fewer hake landed. Values of all landings, however, were up 11 per cent, due mainly to good prices for lobster; values for this one specie at the end of the Island's three seasons was $27.6 million, up more than one-fifth from 1982 and accounting for 73 per cent of all landed values.

It was a mediocre year for groundfish landings, with value of redfish, small flatfish, and hake all down. Market problems for hake earlier in the year have severely dented the total value of this important species. There are also worries that substantial reorganization of the offshore sector in Newfoundland and Nova Scotia may allow boats from these two provinces back to fish redfish in the Gulf to the detriment of fishermen in the Island, as well as in New Brunswick and Quebec. Islanders would be particularly upset in that there are few signs that the province's single offshore plant, at Georgetown, will reopen.

The tuna season in 1983 was extended much longer than in 1982, when it closed on September 20 after a quota of 392 bluefins was filled. Fish were still being landed at Island ports in mid-November, with 787 fish being counted to November 17. Island fishermen were able to exceed their quotas because of shortfalls in other parts of Atlantic Canada, particularly off Nova Scotia. The total quota for the region will remain in the vicinity of 1520 fish in 1984.

Amongst shellfish species, and apart from lobster, scallop prices strengthened markedly during 1983, commanding prices as high as $7 per pound in late November. Volumes of landings were up moderately on the Island, values were up by almost 70 per cent.

Although it hasn't been too bad a year for Island fishermen, particularly those involved in lobster fishing, they are still most vulnerable to unpredictable market and stock conditions. Many are concerned also about the impact of two new supercompanies in Newfoundland and Nova Scotia, both on stocks and markets.

Construction

To judge by the pace of activity to the end of October, 1983 has been the best year for Island construction since 1979. Residential building permits valued at almost $23 million were issued, for 619 dwellings. Corresponding figures for 1982 were $12 million and 363 respectively, and for 1981 were $11.7 million and 304 respectively. Most of the permits were for single-family dwellings but there was also a very healthy rebound in permits for apartment units; permits for 142 units were issued in 1983 compared to only eight in 1982. Many of these permits for residential construction translated into housing starts before the end of the third quarter of the year. Over this period there were some 421 housing starts compared to only 81 in 1982 for the same length of time.

Permits for industrial construction also did well to the end of August. Total estimated value of construction at that time was $3.2 million, up from $2 million a year earlier. Although the value of permits for institutional buildings went down, this does not reflect work which continues on modernizing and enlarging Charlottetown Airport, nor the fact that a start will probably be made in mid-1984 on the new Veterinary College.

At the peak of a construction boom in the late 1970s, the sector accounted for almost 10 per cent of the Island's gross domestic product. This declined to a little more than 5 per cent in 1982, and although 1983 will show an improvement over 1982 it will be some time before previous levels are achieved. A healthy pace of residential building, however, ensures that many smaller companies will keep order books filled for a while.

Tourism

Although final numbers on the 1983 tourist season have not been published, it is doubtful whether declines in visitation established during the peak months of July and August have been reversed appreciably. Changeable weather was the main problem in August, and not even a much more pleasant September would have made up previous losses, occurring as it did after the main family-vacation period was over.

Auto visitation could be down by up to two per cent, mainly due to fewer people visiting from Quebec. There were probably between 10 and 15 per cent fewer air travellers, although tour buses will probably regain much of the ground lost in 1982. There are also encouraging signs of more cyclists (both pedal- and engine-powered) visiting the Island; cycle traffic has been up two years in a row.

It appears that 1983 was more of a year when earlier expectations were not met, and even then some parts of the Island did better than others. Planning for 1984 will probably stay with tried and tested promotions in the hope that 1983 was a slight aberration rather than the beginning of a trend. Certainly, individual operators are taking steps to increase the attractiveness of their facilities; work will begin almost immediately on a $5 million hotel resort complex at Mill River, funded equally between the developer, and provincial and federal governments, and scheduled for opening before the 1984 season.

POOR

QUALITY

ORIGINAL